



Commercial Service Caribbean Region Santo Domingo

IMPACT OF CAFTA-DR ON THE HOUSEHOLD CONSUMER GOODS SECTOR

CAFTA-DR Facts

The United States and Dominican Congresses recently approved the Central American Free Trade Agreement-Dominican Republic (CAFTA-DR). The agreement will greatly expand the bilateral trade between the participating countries; it will also allow for greater access for U.S. exports into the region. The member states of CAFTA-DR, combined, already constitute the 10th largest market for U.S. exports in the world. In 2004, the United States exported nearly \$16 billion of manufactured goods to the region, of which 27% was exported to the Dominican Republic; the largest market among the CAFTA-DR partners. The United States exports 56% of all Dominican imports and enjoys a market share of over 70% in consumer goods imports into the Dominican Republic.



CAFTA-DR is expected to be implemented on January 1, 2006. However, the CAFTA-DR partners that have ratified or approved the agreement must formally agree on an implementation date. The U.S. Chamber of Commerce estimates that upon implementation of the CAFTA-DR, US exports to the region could grow by 20% in the first year. When implemented, CAFTA-DR provides for the immediate elimination of tariffs on 80% of all manufactured goods exported from the United States. Customs duties on the remaining 20% of products will be phased out over the next five to fifteen years. In addition, the CAFTA-DR will require each member country to take steps to improve government transparency, customs procedures and the protection of foreign investments.

Under the CAFTA-DR, US imports into the Dominican Republic have been classified by categories. Each category provides for the elimination of customs duties in different stages. Some products will enter the Dominican Republic duty-free on the date the agreement enters into force, while others will receive gradual reductions on the customs duties. Most of the products in the household consumer goods sector have been categorized within the groups A, B, C and G. An explanation of these categories follows:

Category A:

Duties on goods under this category will be eliminated entirely on the date the agreement enters into force.

Category B:

Duties on goods in this category will be removed in five equal annual stages beginning on the date the agreement enters into force and will be duty-free effective January 1 of year five.

Category C:

Duties on the products under this category will be removed in ten equal annual stages beginning on the date the agreement enters into force, and will be duty-free, effective January 1 of year ten.



Category G:

Products under this category are already entering the Dominican Republic duty-free and will continue to do so under the CAFTA-DR.

For the products included under each category please refer to the attached list.

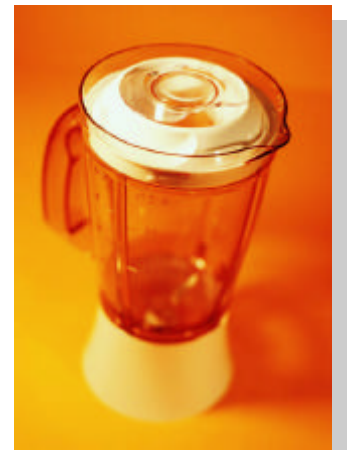
It should be noted that the benefits of CAFTA-DR are for those products that comply with the "Rules of Origin" established in Chapter Four of the agreement. Under these rules, a product that is manufactured in another country, for example Japan or China, will not receive duty-free treatment even if it is imported from the United States.





Another important benefit of the CAFTA-DR is that several other taxes and fees levied on American products exported to the Dominican Republic will be eliminated. These are the Consular Invoice (current value varies), and the Exchange Surcharge (currently 13%). However, a 16% ITBIS tax (value added tax on industrialized goods and services) is required to be applied to most products sold in the Dominican Republic. As a result of the elimination of these taxes, the prices of household consumer goods are expected to decline, while imports from the United States are expected to increase.

The U.S. Commercial Service offers excellent programs to help American companies identify potential distributor. For more information on services available to U.S. business please visit our website: www.export.gov/caribbean.



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CAFTA-DR Household Consumer Goods HS Codes - Dominican Republic

Category A	
HS Code	Description
820830	Knives and cutting blades for kitchen appliances or for machines used by the food industry, parts
841381	Household water system (self-contained), windmill pump
841451	Fans for permanent installation (electric motor <125W)
841821	Refrigerators (household, compression type)
841861	Ice-making machines; drinking water coolers (refrigerated, self-contained)
851650	Microwave ovens (domestic)
851660	Electric cooking stoves, ranges, and ovens (domestic)
Category B	
HS Code	Description
841829	Household refrigerators
851671	Electric coffee or tea makers (domestic)
851672	Electric toasters





Category C	
HS Code	Description
845190	Parts of machines for washing, dry-cleaning, ironing, pressing, drying up made up textiles or articles
850910	Vacuum cleaners (portable, hand-held, domestic)
850920	Electric floor polishers (domestic)
850930	Electric kitchen waste disposals (domestic)
850940	Electric food mixers including blenders (domestic) Electric juice extractors (domestic) Electric food grinders and processors (domestic)
850980	Electric can openers including combo units (domestic)
851020	Electric hair clippers, electric hair dryers
850631	Electrothermic hair dressing apparatus
851632	Electric hand-drying apparatus
Category G	
HS Code	Description
845129	Drying machines
845210	Sewing machines

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